

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-10 EA-10 IO-13 ISO-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02
SOE-02 OMB-01 DOE-15 /146 W
-----075509 221713Z /42

R 221848Z AUG 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 8434
INFO ALL EC CAPITALS
USMISSION GENEVA
AMEMBASSY BANGKOK
AMEMBASSY BUENOS AIRES
AMEMBASSY OTTAWA

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USEEC

PASS AGRICULTURE ELECTRONICALLY
PARIS ALSO FOR USOECD
GENEVA ALSO FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: POSSIBLE EC ACTION ON MILLING RESIDUES AND OTHER
FEEDGRAIN SUBSTITUTES

REF: BRUSSELS 15894

1. SUMMARY: FEFAC OFFICIAL NAMUR ADVISES US THAT HIS
ORGANIZATION IS STRONGLY OPPOSING INCREASED LEVIES ON
MILLING RESIDUES. THEY ARE CONCERNED THAT SUCH ACTION
COULD BE THE FORERUNNER OF A BROADER ATTACK ON FEEDGRAIN
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SUBSTITUTES. WITH REGARD TO MANIOC, FEFAC HAS TAKEN THE
TACTICAL APPROACH OF ENCOURAGING EC-THAI TALKS AIMED AT
SELF-RESTRICTION OF MANIOC EXPORTS BY THAILAND WITH THE
AIM OF WARDING OFF DECONSOLIDATION OF THE GATT BINDING.
NAMUR GAVE US A COPY OF A CONFIDENTIAL COMMISSION REPORT
ON MANIOC PRODUCTION IN THAILAND. HE IS NOT AWARE OF ANY
CONCRETE PROPOSALS FOR ACTION AGAINST OTHER FEEDGRAIN

SUBSTITUTES. END SUMMARY.

2. MISSION OFFICIAL MET WITH ANDRE NAMUR, SECRETARY GENERAL OF FEFAC (EC FEDERATION OF COMPOUND FEED MANUFACTURERS), TO DISCUSS THE POSSIBILITY OF EC ACTION AGAINST IMPORTS OF MILLING RESIDUES AND OTHER FEEDGRAIN SUBSTITUTES.

3. BRAN AND MILLING RESIDUES - NAMUR SAID THAT FEFAC WAS STRONGLY OPPOSING PROPOSED CHANGES IN THE CALCULATION OF IMPORT LEVIES ON THESE PRODUCTS (REFTEL). HE SAID THAT THE COMMISSION WAS ARGUING FOR SUCH CHANGES SOLELY IN TERMS OF THEIR EFFECTS ON WHEAT FLOUR EXPORTS. THE COMMISSION CLAIMS THAT AN INCREASED LEVY ON MILLING RESIDUES WOULD NOT DECREASE THE IMPORT AVAILABILITY OF THESE PRODUCTS; INSTEAD, IT WOULD MERELY FORCE DOWN OFFER PRICES OF THE PRODUCTS WHICH, IN TURN, WOULD FORCE MILLERS IN THIRD COUNTRIES TO INCREASE THEIR EXPORT PRICES FOR FLOUR. THIS WOULD IMPROVE THE COMPETITIVE POSITION OF EC MILLERS ON THE WORLD MARKET AND LESSEN THE AMOUNT OF EXPORT SUBSIDY NEEDED. THE EC IMPORTS 80 PERCENT OF THE MILLING RESIDUES OFFERED ON THE WORLD MARKET.

4. NAMUR SAID THAT HE WAS VERY SKEPTICAL OF THIS ARGUMENT. HE FELT THAT THE CHANGES IN THE LEVY NOW BEING CONSIDERED BY THE COMMISSION WOULD SHARPLY DECREASE EC LIMITED OFFICIAL USE

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IMPORTS OF MILLING RESIDUES. HE THOUGHT THAT IT WOULD BE USEFUL IF SOMEONE IN THE TRADE COULD ANALYZE THE EFFECT OF THE RUMORED LEVY CHANGES ON THE AVAILABILITY OF IMPORTS AND ON IMPORT PRICES. (COMMENT: MISSION SUGGESTS THAT WASHINGTON CONTACT KNOWLEDGEABLE OFFICIALS IN THE MILLING INDUSTRY FOR SUCH AN ANALYSIS, WHICH MIGHT USEFULLY BE INCORPORATED INTO ANY REPRESENTATION WE MIGHT MAKE.)

5. NAMUR ALSO NOTED THAT IMPORTS OF MILLING RESIDUES HAD DECLINED SHARPLY - BY 36 PERCENT IN THE PAST YEAR. ACCORDING TO HIM, IMPORTS OF MILLING RESIDUES TOTALED 1.8 MILLION TONS IN THE YEAR ENDING JUNE 1978 AS COMPARED WITH ABOUT 2.5 MILLION TONS IN THE YEAR ENDING JUNE 1977. NAMUR WAS VAGUE ABOUT THE REASONS FOR THIS DECLINE BUT NOTED THAT IMPORTS HAD BEEN EXTREMELY HIGH IN 1976/77 DUE TO THE DROUGHT. (COMMENT: MISSION SUGGESTS THAT WASHINGTON EXAMINE SUPPLY/DEMAND SITUATION FOR MILLING RESIDUES FOR USE IN REPRESENTATION, IF APPROPRIATE.)

6. NAMUR EXPRESSED CONCERN THAT ACTION ON MILLING RESIDUES COULD BE A "TROJAN HORSE" WHICH WOULD BE FOLLOWED BY A BROADER ATTACK ON OTHER FEEDGRAIN

SUBSTITUTES (E.G., CORN GLUTEN FEED).

7. MANIOC - NAMUR SAID THAT THERE WAS A STRUGGLE GOING ON IN THE COMMISSION BETWEEN THOSE FAVORING SOME SORT OF SELF-RESTRICTION ON MANIOC EXPORTS BY THAILAND AND THOSE FAVORING DECONSOLIDATION OF THE TARIFF BINDING ON THIS PRODUCT. THE HARDLINERS DO NOT CONSIDER SELF-RESTRICTION TO BE WORKABLE; THEY POINT TO THE CONTINUED INCREASE IN MANIOC IMPORTS IN SUPPORT OF THEIR POSITION. ACCORDING TO NAMUR, EC IMPORTS OF MANIOC TOTALED 4.3 MILLION TONS IN THE YEAR ENDING JUNE 1978 AS COMPARED TO 3.8 MILLION TONS IN THE YEAR ENDING JUNE 1977. WITH RESPECT TO DECONSOLIDATION OF THE BINDING, NAMUR SAID THAT SOME SORT OF TARIFF QUOTA ARRANGEMENT IS ENVISAGED WHEREBY THE LIMITED OFFICIAL USE

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CURRENT BOUND DUTY OF 6 PERCENT WOULD BE LIMITED TO A
CERTAIN QUANTITY OF IMPORTS. IMPORTS IN EXCESS OF THIS
QUANTITY WOULD PRESUMABLY BE SUBJECT TO UNBOUND LEVIES.

8. NAMUR INDICATED THAT FEFAC HAD TAKEN A "SOFT LINE" ON
THE MANIOC QUESTION -- I.E., THEY HAD INDICATED THAT THEY
COULD ACCEPT SELF-RESTRICTION AND ENCOURAGED TALKS
BETWEEN THE THAI GOVERNMENT AND THE COMMISSION. NAMUR
FELT THAT THIS APPROACH WAS THE BEST WAY TO SUPPORT THOSE
PEOPLE IN THE COMMISSION WHO FAVORED THE CONTINUATION OF
THE RELATIVELY FREE TRADE IN NON-GRAIN FEEDS. HE THOUGHT
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THAT IT WAS UNREALISTIC TO EXPECT THAT THE RATE OF
INCREASE IN MANIOC IMPORTS COULD BE ALLOWED TO CONTINUE.
NOTING THAT MANIOC IS PRIMARILY PRODUCED IN A VERY POOR
AREA OF THAILAND, THREATENED BY COMMUNIST INFILTRATION,
NAMUR THOUGHT THAT THE POLITICAL ASPECTS OF THIS PROBLEM
WOULD BE VERY IMPORTANT AND WOULD PERHAPS PREVENT THE
COMMUNITY FROM TAKING TOO HARD A POSITION.

9. NAMUR GAVE US, ON A CONFIDENTIAL BASIS, A COPY OF A
COMMISSION REPORT ON MANIOC PRODUCTION IN THAILAND DONE
IN THE SPRING OF 1978. COPIES OF THIS REPORT ARE BEING
SENT TO PHIL MC LEAN, EUR/RPE AND OMERIO SABATINI, FAS/
USDA. HIGHLIGHTS OF THE REPORT ARE GIVEN BELOW:

A. REPORT NOTES THAT MANIOC IS THE THIRD HIGHEST
EXPORT EARNER FOR THAILAND, AND BY FAR THE MOST IMPORTANT
IN ITS TRADE WITH THE COMMUNITY. ACREAGE AND PRODUCTION
OF MANIOC INCREASED YEARLY BY 20 OVER THE PERIOD
1972/73 TO 1977/78. OVER THIS SAME PERIOD, PRODUCTION
HAS INCREASED FROM 3.1 TO NEARLY 11 MILLION TONS AND
EXPORTS HAVE RISEN FROM ABOUT 1 TO 3.7 MILLION TONS.

B. THE REPORT CONCLUDES THAT THERE ARE NO REAL
TECHNICAL CONSTRAINTS ON THE INCREASE OF MANIOC PRODUCTION
AND EXPORT IN THE MEDIUM TERM, ALTHOUGH IN THE SHORT
TERM THERE MAY BE PROBLEMS WITH EXPORT FACILITIES.

C. ON THE OTHER HAND, DUE TO GOVERNMENT DISCOURAGE-
MENT OF MANIOC PRODUCTION, THE TENDENCY TOWARDS DECLINING
MANIOC YIELDS, AND THE UNFAVORABLE PROFITABILITY VIS-A-VIS
OTHER AGRICULTURAL PRODUCTION POSSIBILITIES, IT IS FELT
UNLIKELY THAT THE RECENT RATE OF EXPORT INCREASE WILL BE
SUSTAINED. A MORE MODERATE EXPANSION RESULTING IN AN

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EXPORT AVAILABILITY OF PERHAPS 4 TO 4.5 MILLION TONS BY 1980/81 IS SEEN TO BE MORE LIKELY. THE OFFICIAL TARGET FOR MANIOC EXPORTS IN 1981 IS 4 MILLION TONS -- RECENTLY RAISED FROM 3 MILLION TONS ONLY AFTER HARD LOBBYING BY MANIOC EXPORTERS.

10. WITH RESPECT TO FEEDGRAIN SUBSTITUTES OTHER THAN MANIOC AND MILLING RESIDUES, NAMUR SAID THAT ALTHOUGH THERE HAD BEEN MUCH TALK ABOUT THE NEED FOR IMPORT RESTRICTIONS ON THESE PRODUCTS (BY REPRESENTATIVES OF FARMER ORGANIZATIONS, ETC.), HE WAS UNAWARE OF ANY CONCRETE PROPOSALS FOR SUCH ACTION IN THIS AREA.

11. NAMUR ALSO BROUGHT TO OUR ATTENTION THE FOLLOWING DATA ON EC IMPORTS OF FEEDGRAIN SUBSTITUTES WHICH APPEARED IN THE JULY 1978 ISSUE OF THE DEUTSCHE BAUERN-KORRESPONDENZ:

	1974	1975	1976	1977
PRODUCT				(1,000 M.T.)
MANIOC	2073	2222	3182	3792
BRAN	1109	1287	2256	1880
CORN GLUTEN	694	930	1147	1480
CITRUS PULP	327	480	646	940
TOTAL	4203	4919	7231	8092

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Message Attributes

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Copy: SINGLE
Draft Date: 22 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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